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U.S./EX-NAZI

BROKAW: NBC News investigative reporter Ma uncovered a close connection between Nazi Klaus Barbie and the United States in the days immediately following World War Two. At the time, Barbie was wanted by the French for atrocities that he directed against French citizens during the occupation. But he wound up a U.S. spy. Here is Nykanen's report.

NYKANEN: According to sources close to the investigation, the cover-up began in 1948 in this house near Augsburg, Germany. They say Klaus Barbie ran a spy network from here after persuading U.S. military intelligence that he could be a valuable asset in the cold war against communism. But sources say there was a problem using Barbie as a spy. The French wanted him for war crimes. So to cover up Barbie's spy work, military intelligence brought a former Nazi spy, Josef Merk, into Barbie's network as a front man. Information gathered by Barbie would be attributed to Herk. A source at the Justice Department says the invesigation has been hampered because some reports from Herk and Barbie were destroyed. Those that still exist have only Merk's name on them. So investigators can't tell exactly what Barbie contributed. Serge and Beata Klarsfeld are the Nazi hunters who found Barbie living in Bolivia in 1972. The Klarsfelds, paid consultants to NBC News, say these classified U.S. and French documents show that U.S. officials lied to the French about Barbie's whereabouts. The documents recently were obtained by the Justice Department. One of them is this French government report dated February 18, 1950, marked secret. It says the U.S. offered to provide Barbie as a witness in the trial of a Frenchman accused of being a Nazi collaborator on the condition that Barbie be returned promptly. The French declined and again insisted that he be returned to France. The U.S. response: at least six letters denying knowledge of his whereabouts. The last letter, dated January 31, 1951 says, 'We are continuing our efforts to locate Barbie.' But the Klarsfelds say three weeks later, U.S. officials gave him a temporary travel document and a new identity, Klaus Altman. He then escaped to Bolivia. SERGE KLARSFELD: ... The kind of sad story where the killer, if he has something to sell, is, has more importance than the victims.

NYKANEN: Within months of Barbie's escape from Germany, Joseph Herk, the spy partner who knew exactly what Barbie has done for U.S. intelligence, died at the age of 36 in this Bavarian castle, a center for U.S. spying in post-war Germany. His family says he was murdered to keep him silent. They say U.S. officials told them he died from a poisonous bee sting. Roman Catholic Chuch records in his home town list his cause of death as heart attack, question mark. KARL STREHLE (Roman Catholic Priest): It is questionable if he died of natural cause or he was murdered.

NYKANEN: Dr. Rudolph Thannheimer was the German physician called in to examine Merk's body. Then, he said, Merk died of a heart attack. Now, after a silence of nearly 32 years, he says,

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